



Globalization Forces Rural America to Blaze a New Trail

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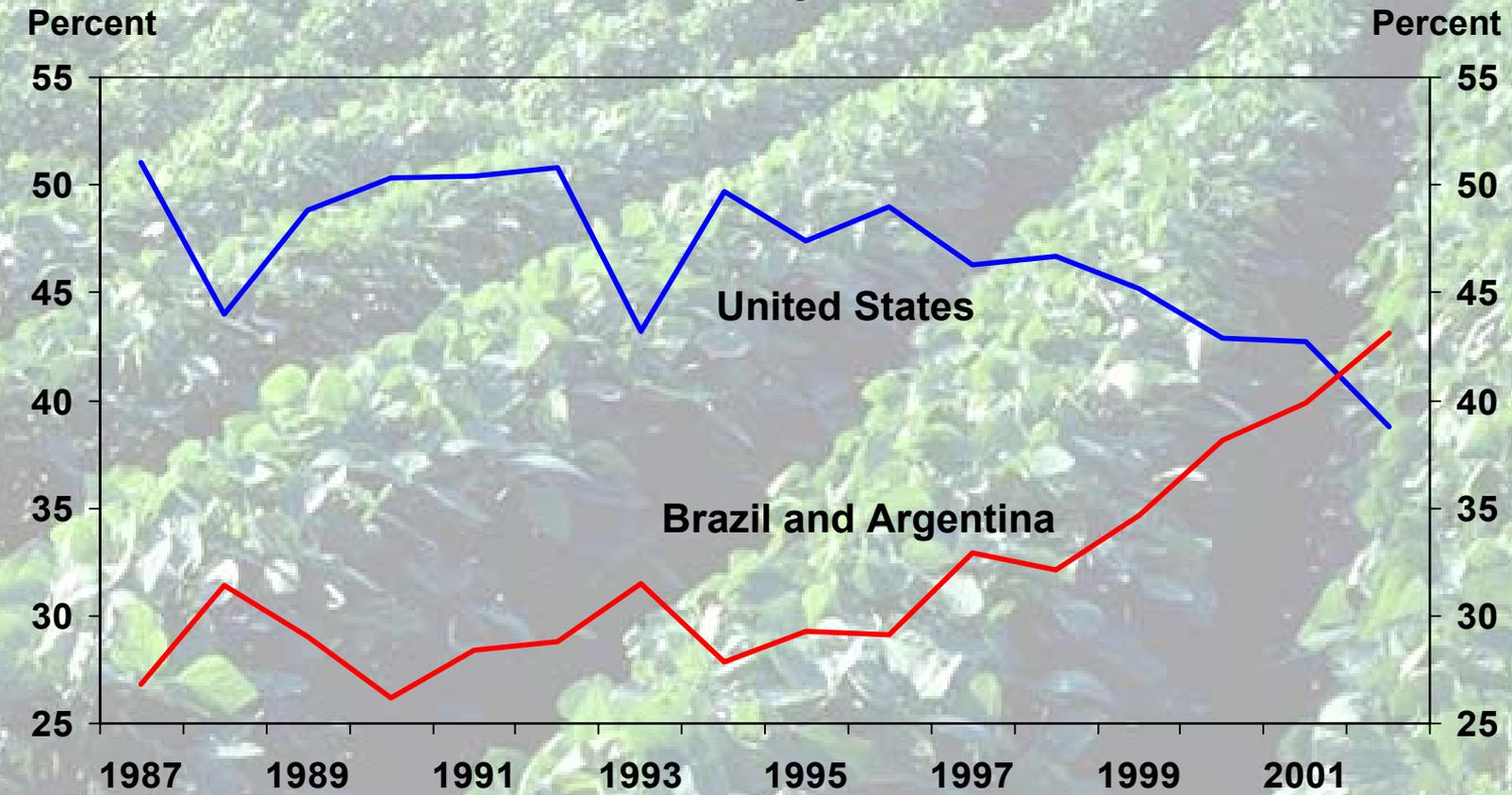
A Global Collision in the Rural Economy

- The old rural economy is fueled by commodities
Agricultural, industrial, mineral, timber.
- Traditional sources of competitive advantage
Abundant natural resources
Low-cost land
Low-cost labor
- Globalization creates a new imperative
Be the low-cost producer.

**In a Global Economy,
Does Rural America
Still Have These
Competitive Advantages?**

Globalization changes everything for producers of agricultural commodities...

Share of World Soybean Production

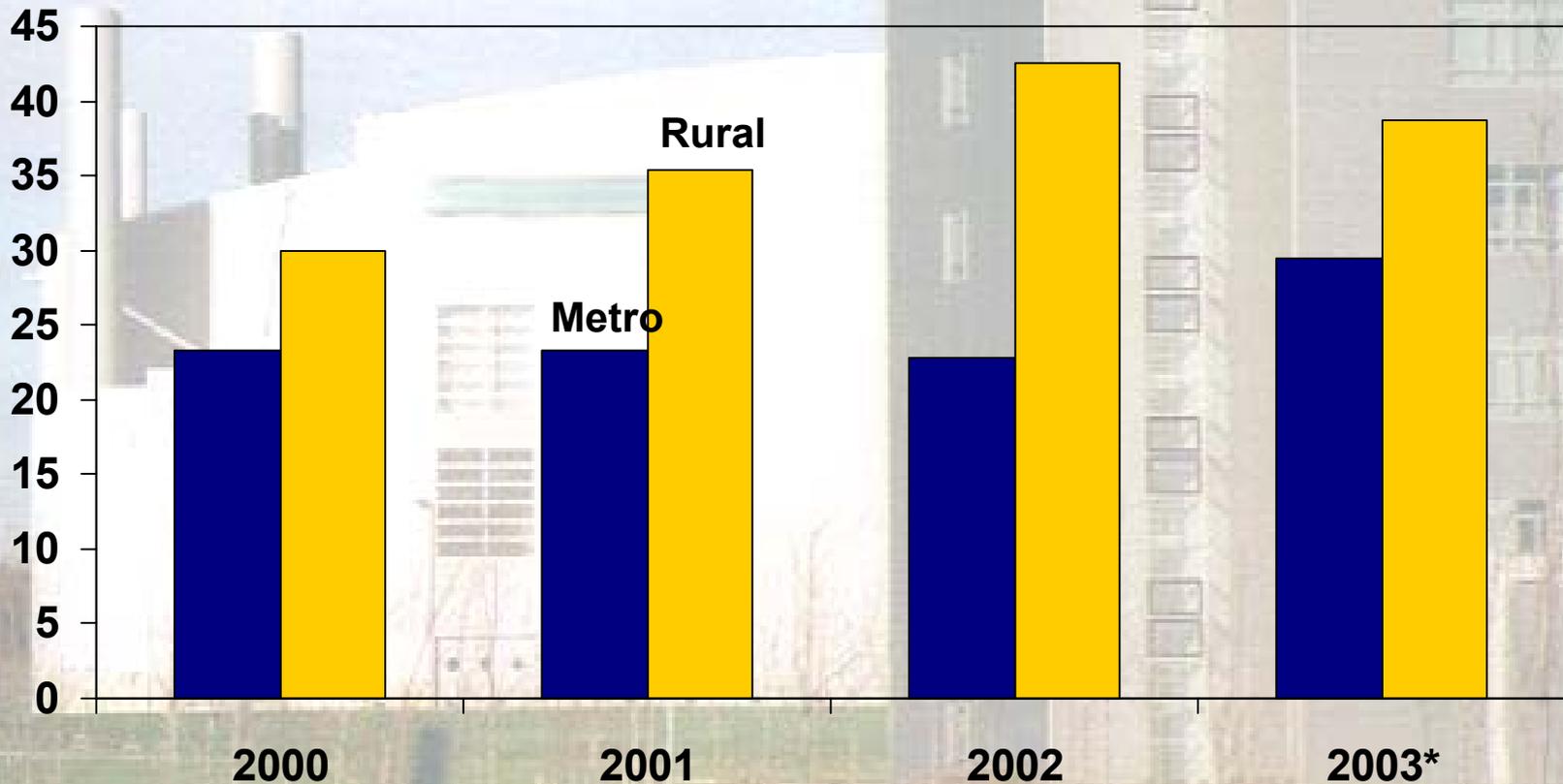


Source: USDA

And industrial commodities.

Metro and Rural Plant Closures

Percent of mass layoffs due to factory closures



Source: Bureau of Labor Statistics
2003 data through the second quarter

Blazing a New Trail in Search of New Competitive Advantages

- **Moving away from commodities...**
- **Moving beyond low-cost land and labor...**
- **Producing new competitive advantages ...**
- **But away from the comfort zone.**

New Competitive Advantages

Opportunities built on technology that

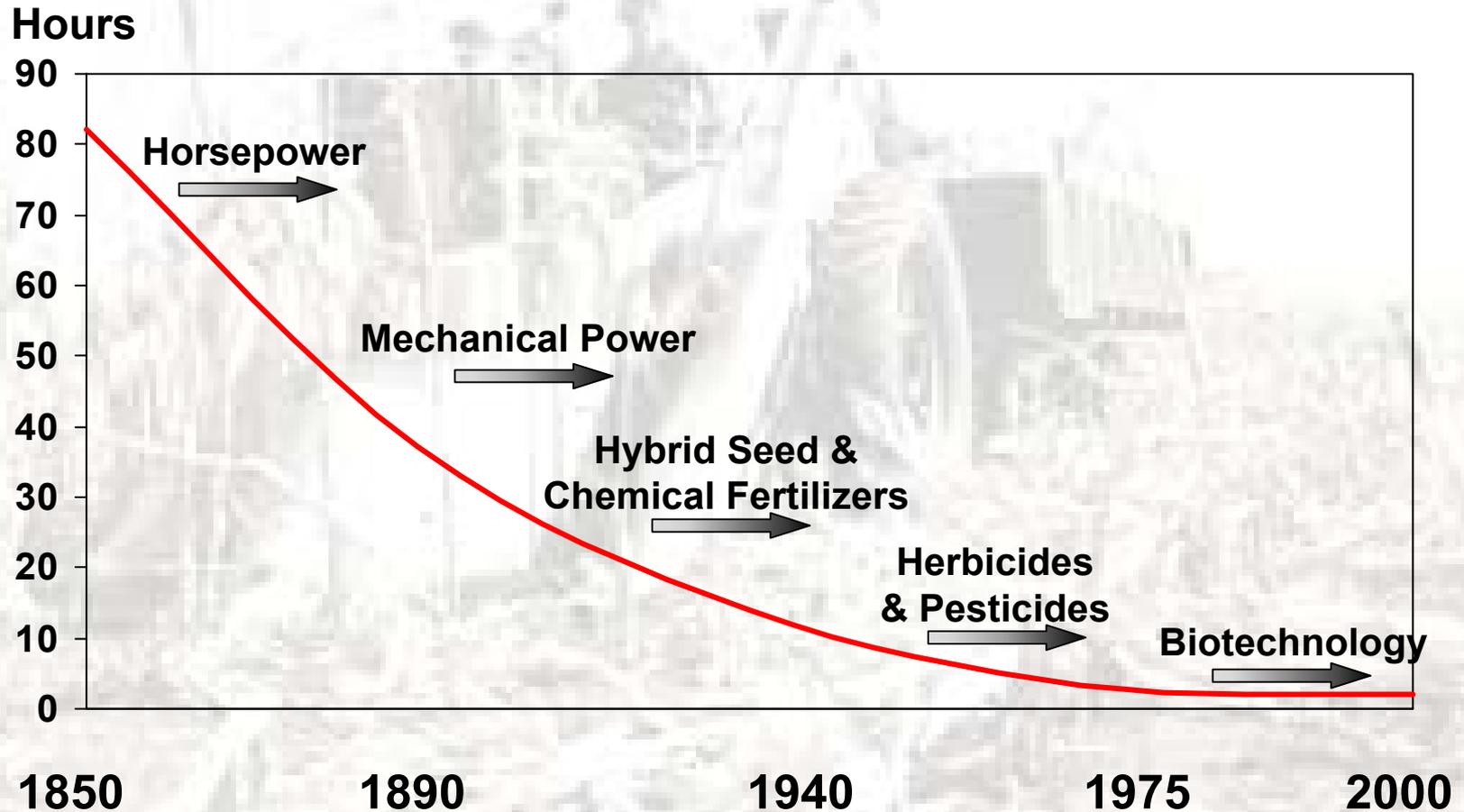
Diminishes distance...

Creates new value...

And launches new products.

Technology has always been a part of Rural America.

Labor to Produce 100 Bushels of Corn





The Opportunities of Product Agriculture

From “new-use” commodities

- **Ethanol**
- **Bio-plastics (Blair, NE)**

To new “high-value” products

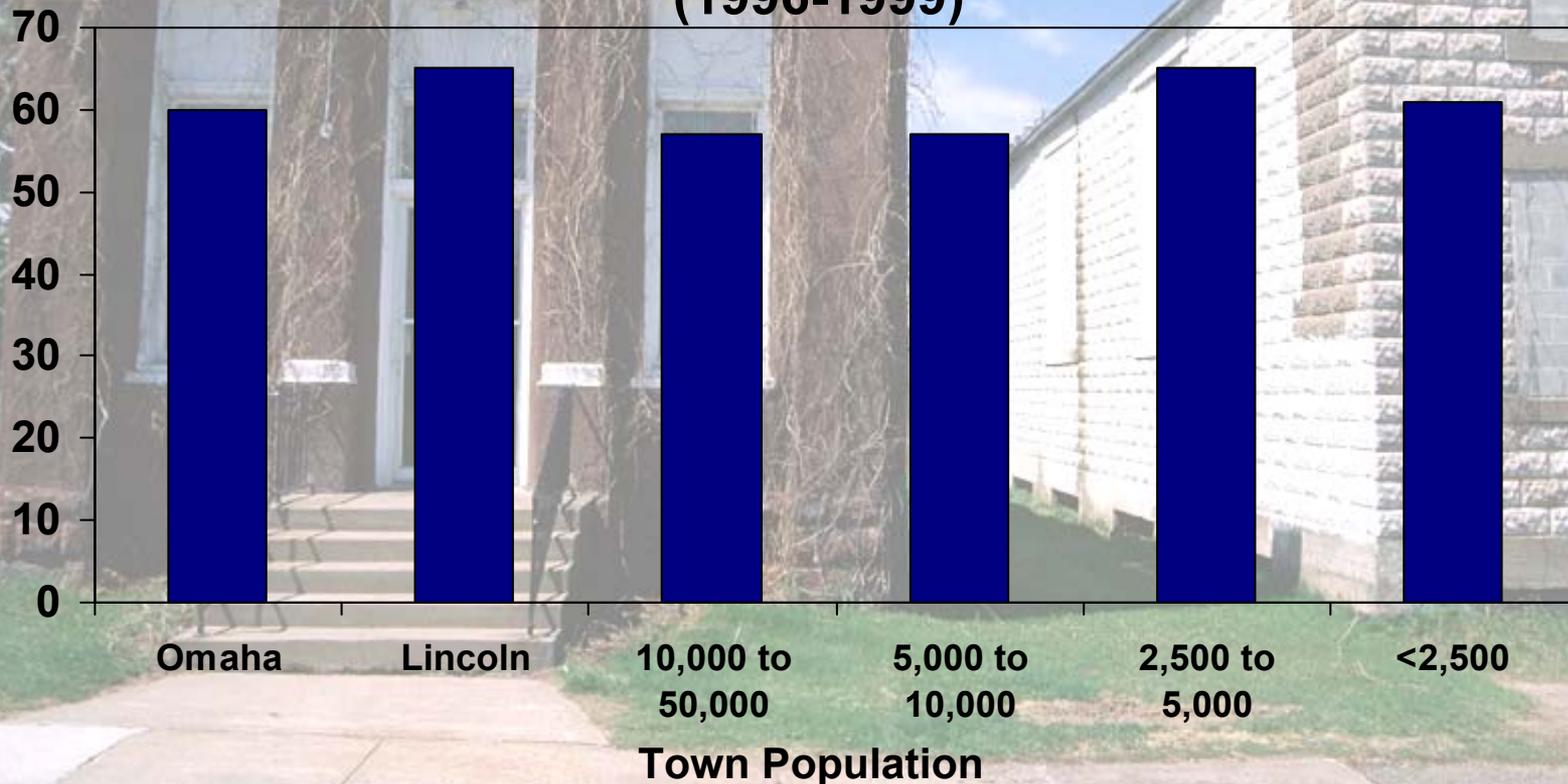
- **Farmaceuticals**

New Economic Frontiers

- **Opportunities built on Technology.**
- **Developed by Entrepreneurs.**

Start-up Businesses Can Survive in Rural America

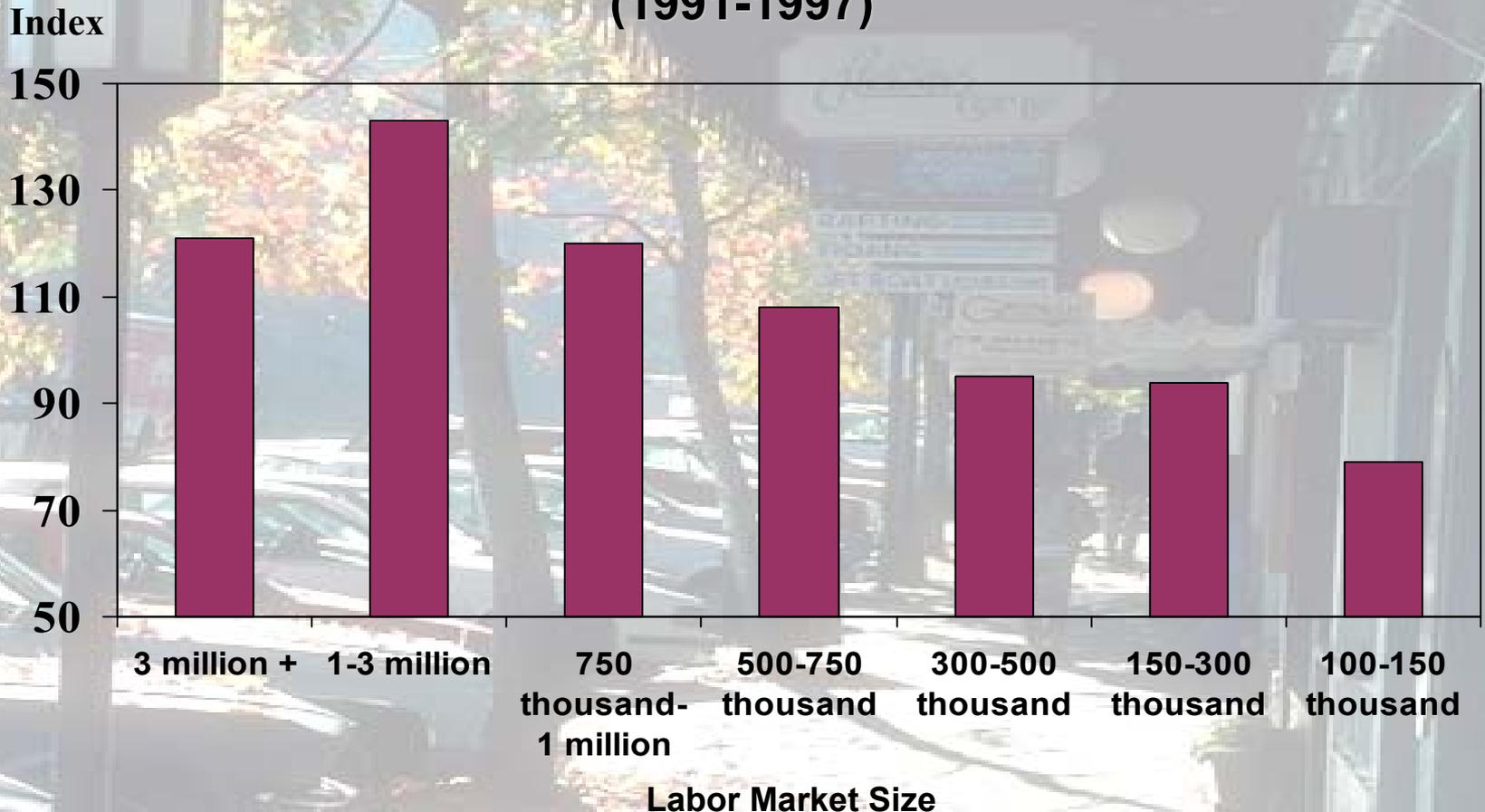
**Survival Ratio of Nebraska Business Starts
(1996-1999)**



Source: *Business in Nebraska*, April 2002

The Rural Challenge is to Develop High-Growth Entrepreneurs.

**High-Growth Company Index
(1991-1997)**



Source: National Commission on Entrepreneurship, 2002

Center for the Study of Rural America, FRBKC

New Business Model: Partnering

Why Partnering?

- **Most rural firms are small**
- **Clusters or networks make small firms competitive**
- **The “co-op” principle**
- **A clear focus of rural development globally.**

A New Policy Model: Regional Competitiveness

What is a region?

Region is defined by the economic opportunity.

For some... **a few counties.**

For others... **a score of counties.**

For yet others... **a few states.**

*21st century economic regions are no
respecters of 19th century surveyors.*

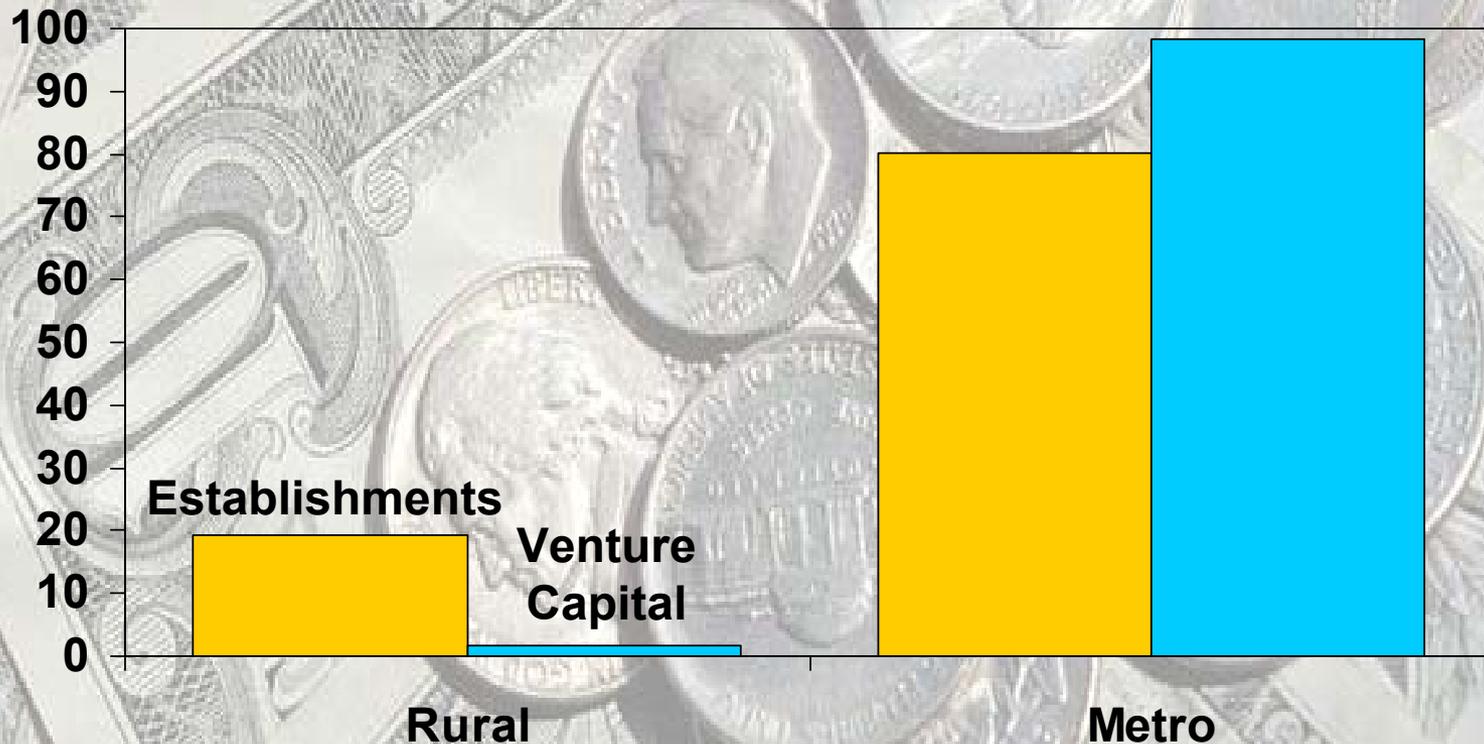
New regions are forming...



A New Financial Model: Equity Capital

U.S. Establishments and Venture Capital

Percent of U.S. Total



Source: McDaniel, Kendall. "Venturing in Rural America", Main Street Economist, Center for the Study of Rural America, Nov. 2002

Globalization Forces Rural America to Blaze a New Trail

- 1. Globalization is The New Challenge**
- 2. New Opportunities are Emerging.**
 - Based on Innovations in Technology.**
 - Developed by Entrepreneurs.**
- 3. The Trail of Opportunity Might be based on:**
 - Partnership**
 - Regional Competitiveness**
 - Equity Capital**